

Tuesday, April 17, 2018

📧 Get Global FX Insights via email - [click here](#)



Global FX Insights

by LMAX Exchange Research & Analytics

Comprehensive daily market research and analytics, with insightful commentary and charts

Surging Pound Digests Important Data [🔊 Wake-up call](#)

Tuesday's economic calendar is stacked with first tier data, which could give the market a much needed jolt. We come into Tuesday with the Dollar having taken a hit on the back of a Trump tweet expressing displeasure with China and Russia currency manipulations.

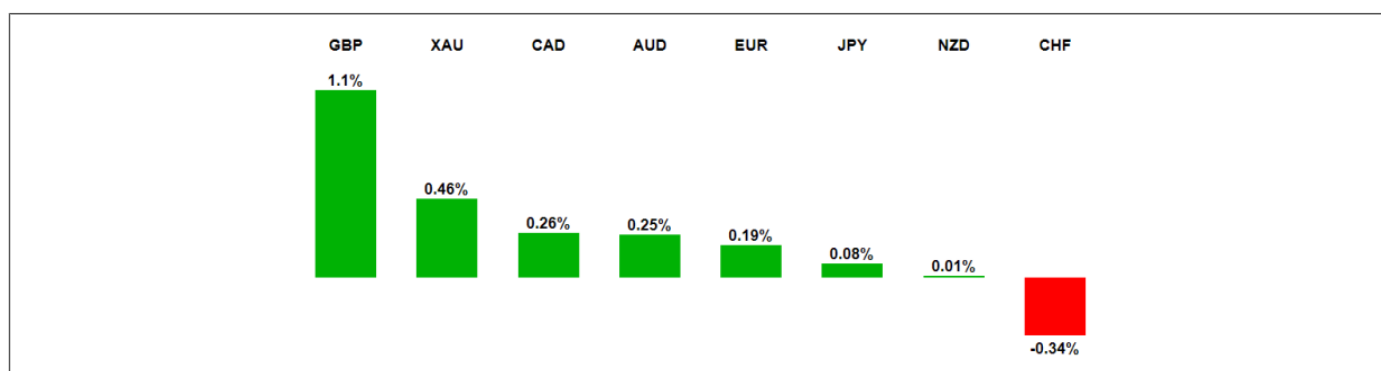
Technical highlights [📺 Daily Video](#)

- **EURUSD** Getting closer to a breakout
- **GBPUSD** Extends 2018 to fresh high
- **USDJPY** Bearish while below 108.00
- **EURCHF** Focused on return to 1.2000
- **AUDUSD** Looking for next lower top
- **USDCAD** Setbacks should be limited
- **NZDUSD** Stalls out into big resistance
- **US SPX 500** Slowly starting to roll
- **GOLD** (spot) Bullish above 1375
- **BTCUSD** Trying to bounce off low
- **ETHUSD** Pressure taken off downside

Fundamental highlights

- **EURUSD** Eurozone and German ZEW readings
- **GBPUSD** All eyes on Tuesday's UK employment
- **USDJPY** Trump-Abe summit underway
- **EURCHF** SNB policy strategy likely to get tougher
- **AUDUSD** RBA Minutes, China data as expected
- **USDCAD** Loonie should be more NAFTA cautious
- **NZDUSD** Local data hasn't been as hot of late
- **US SPX 500** Policy normalisation and inflation
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Crypto headwinds challenge Bitcoin
- **ETHUSD** Ethereum exposed on macro pressure

Five day performance v. US dollar



Suggested reading

- **Stop Saying Volatility Is a Bad Thing**, R. Burgess, Bloomberg (April 16, 2018)
- **Financial Conditions' Effect on Stocks**, L. Sonders, Charles Schwab (April 9, 2018)

EURUSD – technical overview

The major pair has been mostly sideways in 2018, resulting in a contracted range that has taken the form of a triangle. At this point, with the price consolidating past 2/3 of the way to the apex, there is risk for that next breakout. Key levels to watch over the coming sessions will be 1.2477 and 1.2215. Above 1.2477 will open a move to a fresh 2018 and +3 year high, exposing massive falling trend-line resistance off the record high from 2008 which comes in around 1.2600. Back below 1.2215 will open the door for a deeper correction targeting a retest of the December 2017 low at 1.1720.



- R2 1.2422 – 28Mar high – Strong
- R1 1.2397 – 11Apr high – Medium
- S1 1.2300 – 12Apr low – Medium
- S2 1.2216 – 6Apr low – Strong

EURUSD – fundamental overview

The Euro was able to find some demand on Monday, with a Trump tweet critical of Russia and China devaluations fueling broad based US Dollar selling. Surprisingly, there wasn't much attention given to dovish ECB Praet comments, with the central banker warnings that ample stimulus remained necessary and inflation remained subdued, possibly leaving the door open for another QE taper or extension, rather than a hard exit. Looking ahead, we get German and Eurozone ZEWs, followed by a batch of US data that features housing starts, building permits and industrial production. There will also be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic.

EURUSD – Technical charts in detail

Watch now

GBPUSD – technical overview

Setbacks have been very well supported in 2018, with the market confined to a well defined uptrend. The latest break to a fresh yearly high above 1.4346 has confirmed the next meaningful higher low at 1.3712, opening an eventual measured move upside extension to the 1.5000 area. However, the major pair may not be ready to extend the run just yet in 2018, with daily studies starting to look stretched following what has already been an aggressive move early in the year. This leaves the door open for a more significant corrective decline, with room to easily extend back below 1.4000. Key short term support comes in at 1.4146 and a break below would strengthen this outlook.



- R2 1.4346– Figure – Medium
- R1 1.4355 – 17Apr/2018 high – Medium
- S1 1.4221 – 13Apr low – Medium
- S2 1.4146 – 12Apr low – Strong

GBPUSD – fundamental overview

The Pound hasn't even taken in any first tier data this week and yet, the currency has been well bid, with the Cable rate pushing up to a fresh 2018 high. Everything will get more interesting today, with the market taking in an important batch of first tier UK data, in the form of the claimant count, earnings and unemployment rate. Then in the US, all eyes turn to housing starts, building permits and industrial production. There will also be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic. We didn't see much of a reaction to the warnings from the Chinese ambassador to the EU that UK-China trade talks could be jeopardized if a Brexit deal could not be reached.

GBPUSD – Technical charts in detail

[Watch now](#)

USDJPY – technical overview

The major pair has been trading to **bottom out**, after trading down to a 2018 low in the 104s. Still, a break and daily close back above 107.91 will be required to suggest the downside pressure has come off. Until then, risk remains for another topside failure and reversal back down towards the 2018 low.



- R2 107.91 – 21Feb high – Strong
- R1 107.79 – 13Apr high – Medium
- S1 106.62 – 9Apr low – Medium
- S2 105.67 – 2Apr low – Strong

USDJPY – fundamental overview

The Yen has been getting some help from slumping Abe approval ratings that have weighed on risk sentiment, while some weakness in China equities is also contributing to this latest pullback in USDJPY. Overall, market sentiment remains quite fragile in the face of rising geopolitical risk, global trade tension and White House uncertainty. The Trump-Abe summit has kicked off and will get some attention, with the event running through Wednesday. Looking ahead, we get a batch of US data that includes housing starts, building permits and industrial production. There will also be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic.

USDJPY – Technical charts in detail

Watch now

EURCHF – technical overview

The market continues to trend higher, recently extending gains to a fresh multi-month high. The bullish price action has the market thinking about a retest of that major barrier at 1.2000 further up. In the interim, look for the current round setbacks to be very well supported, while only back below 1.1652 would delay the overall constructive tone.



- R2 1.2000 – Psychological – Strong
- R1 1.1896 – 17Apr/2018 high – Medium
- S1 1.1768 – 9Apr low – Medium
- S2 1.1652 – 22Mar low – Strong

EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc could face headwinds from the US equity market in 2018. The record run in the US stock market has been a big boost to the SNB's strategy with elevated sentiment encouraging Franc weakness. Of course, the SNB is no stranger to this risk, given a balance sheet with massive exposure to US equities. But any signs of a more intensified liquidation on that front into Q2 2018, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to weaken the Franc. And so, we speculate the SNB continues to be active buying EURCHF in an attempt to build some cushion ahead of what could be a period of intense Franc demand.

AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above 0.8100 earlier this year. This has set up a sequence of lower tops and lower lows on the daily chart, with deeper setbacks seen towards the 0.7500 barrier over the coming sessions. A break back above 0.7917 would be required to negate the structure and force a shift in the outlook.



- R2 0.7917 – 14Mar high – Strong
- R1 0.7810 – 13Apr high – Medium
- S1 0.7694 – 10Apr low – Medium
- S2 0.7644 – 29Mar low – Strong

AUDUSD – fundamental overview

The RBA Minutes went off without a hitch, while a batch of first tier China data came in as expected. Overall, the risk correlated commodity currency will continue to monitor developments on the global front, with any escalation in tension to add to the downside pressure. Looking ahead, we get a batch of US data that includes housing starts, building permits and industrial production. There will also be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic.

USDCAD – technical overview

Despite the latest round of weakness, overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2500, with a higher low sought out in favour of the next major upside extension through 1.3125 and towards 1.3500 further up.



- R2 1.2708 – 10Apr high – Strong
- R1 1.2624 – 11Apr high – Medium
- S1 1.2545 – 11Apr low – Medium
- S2 1.2500 – Psychological – Strong

USDCAD – fundamental overview

The Canadian Dollar has enjoyed a nice period of recovery in recent weeks on the back of conciliatory global trade talk, last week’s Bank of Canada Q1 survey which showed the business sales outlook improving, solid Canada housing starts and a rally in the price of OIL. But at a closer glance, it looks like the Loonie may have run too far and fast, with plenty of global tension exposing the currency, especially with the fate of NAFTA remaining a major thorn at the Loonie’s side. Looking ahead, we get Canada manufacturing shipments and a batch of US data that includes housing starts, building permits and industrial production. There will be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic.

NZDUSD – technical overview

The market looks to be in the process of topping out, with the daily chart slowly rolling over in 2018. Rallies are now expected to be very well capped ahead of 0.7500, with only a break back above the psychological barrier to negate. Look for a renewed weakness in the sessions ahead, with a break back below 0.7300 to strengthen the outlook and accelerate declines towards 0.7000.



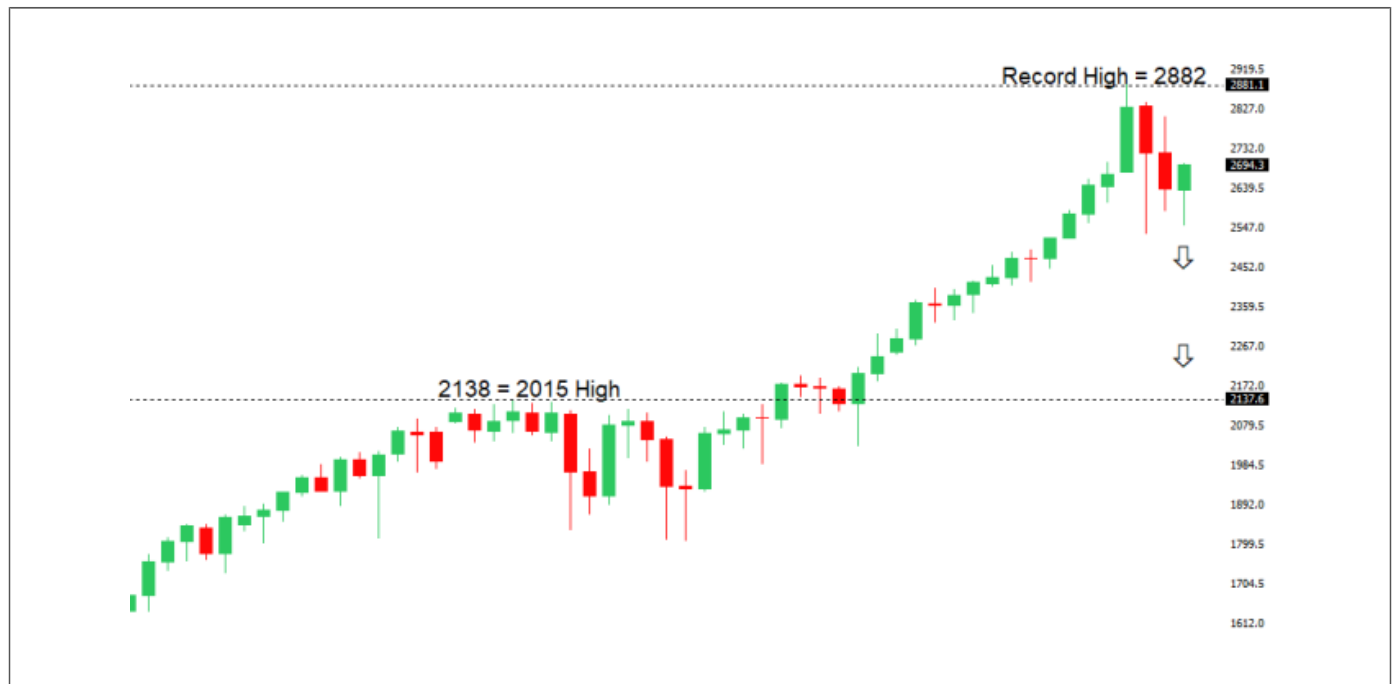
- R2 0.7438 – 16Feb/2018 high – Strong
- R1 0.7396 – 13Apr high – Medium
- S1 0.7304 – 10Apr low – Medium
- S2 0.7244 – 6Apr low – Strong

NZDUSD – fundamental overview

The combination of escalating trade tension, fallout from an end to a near decade long post crisis global monetary policy accommodation and less than stellar economic data out of New Zealand in recent weeks, including four consecutive negative GDT auction prints, is all starting to weigh on the Kiwi rate after the market had pushed into some medium term resistance towards 0.7500. Dealers had been talking decent sell orders ahead of 0.7400 and this has materialised over the past few sessions. Looking ahead, we get a batch of US data that includes housing starts, building permits and industrial production. There will also be plenty of Fed speakers on the wires today. These include the more hawkish leaning Williams, neutral Quarles, neutral Harker, dovish Evans and neutral Bostic.

US SPX 500 – technical overview

A severely overbought market is finally showing signs of rolling over off the January record high, allowing for stretched monthly readings to unwind. Any rallies should now be very well capped ahead of 2800 in favour of continued weakness towards the 2015 high at 2138.



- R2 2743 – 21Mar high – Strong
- R1 2700 – Barrier – Medium
- S1 2585 – 6Apr low – Medium
- S2 2533 – 6Feb/2018 low – Strong

US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there's a clear tension out there as the VIX starts to rise from unnervingly depressed levels. The combination of Fed policy normalisation, ramped up US protectionism, and geopolitical tension have been driving the market lower, with setbacks at risk of intensifying on the prospect for the reemergence of inflationary pressure. Overall, we expect the bigger picture theme of policy normalisation to continue to weigh on investor sentiment into rallies.

GOLD (SPOT) – technical overview

Setbacks have been well supported over the past several months, with the market continuing to put in higher lows and higher highs. Look for some more chop followed by an eventual push above massive resistance in the form of the 2016 high at 1375. This will then open the door for a much larger recovery in the months ahead. In the interim, setbacks are expected to be well supported around 1300.



- R2 1375 – 2016 high – Very Strong
- R1 1366 – 25Jan/2018 high – Medium
- S1 1320 – 6Apr low – Medium
- S2 1303 – 2Mar low – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players persists, with these players more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity well supported, with many market participants also fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax. Certainly the US Dollar under pressure has added to the metal's bid tone as well, but there is a growing sense that even in a scenario where the US Dollar is bid for an extended period, GOLD will hold up on risk off macro implications. The 2016 high at 1375 is a massive level that if broken and closed above, could be something that triggers a widespread panic and rush to accumulate more of the hard asset.

BTCUSD – technical overview

A break back above short term resistance at 7500 has taken the immediate pressure off the downside, with scope for a correction further up towards 9200. Still, the overall pressure still leaves the market in a downtrend and it is going to take a recovery back above 12000 to suggest otherwise.



- R2 9,200 – 21Mar high – Strong
- R1 8,643 – 26Mar high – Medium
- S1 6,420 – 1Apr low – Medium
- S2 6,000 – 6Feb/2018 low – Strong

BTCUSD – fundamental overview

The crypto asset has come under pressure in 2018, with ramped up regulatory oversight and potential government crackdowns forcing many holders to exit positions. The market is also coming back to earth after a euphoric 2017 run that had bubble written all over. Bitcoin has struggled on the transaction side as well, with transactions per second a major drawback, along with a mining community that has been less willing to process transactions due to the lower fees. The Lightning network has been a welcome development and is helping to ramp up transaction speed, which has been behind some of the recovery off the 2018 low, though it seems the combination of a massive bubble, more regulatory oversight, a market that is still trying to convince of its proof of concept, and the threat of a reduction in global risk appetite, could all result in even deeper setbacks ahead.

BTCUSD – Technical charts in detail

Watch now

Page 12 of 14

ETHUSD – technical overview

Signs of recovery, with the market rallying out from the 2018 low and pushing back above some consolidation resistance. This opens the door to more significant resistance at 590, though a clear break back above the 590 level will be required to officially take the immediate pressure off the downside. Until then, the pressure remains on the downside and the market could be looking for a lower top ahead of a bearish resumption.



- R2 590 – 21Mar high – Strong
- R1 545 – 24Mar high – Medium
- S1 412 – 12Apr/2018 low – Strong
- S2 358 – 1Apr/2018 low – Strong

ETHUSD – fundamental overview

Setbacks in the price of ETH have been more intense than those of Bitcoin in 2018. Though both markets are going through a period of shakeup following bubble activity in 2017, there has been a bigger exodus from ETH with this cryptocurrency more heavily correlated to risk in global markets. The reduction in global risk appetite has put a strain on the investment in projects on the blockchain and with most of the blockchain projects built on the Ethereum protocol, it makes sense to see this market more negatively impacted than bitcoin, which is considered to be the store of value digital currency.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.